



FTB NOTICE

California Franchise Tax Board - Legal Branch

P.O. Box 1720
Rancho Cordova, CA 95741-1720
Telephone: (916) 845-3354

KATHLEEN CONNELL
Chair

ERNEST J. DRONENBURG, JR.
Member

CRAIG L. BROWN
Member

September 30, 1997

FTB NOTICE 97-10

**SUBJECT: REQUEST FOR PUBLIC COMMENT
DISCUSSION DRAFT OF REGULATION 25106.5-A:
TREATMENT OF INTERCOMPANY TRANSACTIONS**

The Franchise Tax Board staff has prepared a discussion draft regulation under Revenue and Taxation Code Section 25106.5 which would provide rules for treating intercompany transactions between members of a combined reporting group. The draft regulation incorporates Treasury Regulation 1.1502-13 to the extent possible, with modifications to accommodate combined reporting, apportionment and similar requirements of California law.

Because of the potentially broad impact of this regulation, the Franchise Tax Board staff is making the draft regulation, and a brief explanation of the regulation, available to the public for review and comment prior to formal regulatory notice.

For copies of the discussion draft regulation and explanation, or for further information regarding this notice, contact Beverly Moore at the Franchise Tax Board Legal Branch, P.O. Box 1720, Rancho Cordova, CA 95741-1720; Tel.: (916) 845-3354; FAX: (916) 845-3648. The draft and explanation are also available at the Franchise Tax Board's website at www.ftb.ca.gov.

Written comments regarding the draft regulation may also be addressed to Ms. Moore and should be submitted by February 1, 1998. If there is sufficient interest, the department will hold a public meeting or symposium on the draft regulation prior to commencing the formal notice process.

If you are interested in obtaining supplements to the draft regulation, or the formal notice of the regulation, if applicable, please advise Ms. Moore at the above address and she will add your name to the mailing list.